



The Research Bureau

# All Aboard

Financing a Fare-Free WRTA

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Research in the Public Interest

Worcester Regional Research Bureau, Inc.

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## Executive Summary

The Worcester Regional Transit Authority Advisory Board has suspended fares at the agency since March 2020, as a result of the COVID-19 pandemic and subsequent emergency. It has been extended several times, and the latest extension is set to end at the end of June 2023 unless the Advisory Board adopts a budget that will extend fare-free for a longer period of time. The Worcester Regional Research Bureau previously released two reports: In May 2019, *The Implications of a Fare-Free WRTA* and in November 2020, *Bureau Brief—Addendum to “The Implications of a Fare-Free WRTA.”* Both reports analyses found a strong argument in favor of a fare-free program at the WRTA. This report on finances serves as an update to those reports after three years of fare-free service.

This report proceeds in the following manner:

1. Pages 3-7 discuss the Fiscal Year 2022 budget of the WRTA, focused especially on revenue sources over time. A brief discussion of expenses for FY22 and FY23 follows.
  - **The Commonwealth of Massachusetts is consistently the largest source of revenues used for operating expenses**, followed by, in FY22, the Federal Government, and then WRTA member community assessments (see pages 4 and 5).
  - In FY22, \$29,254,019 was expended towards operating expenses; in FY23, \$32,429,893. Page 6 explores these budgets.
2. Pages 8-10 review and analyze the fare-free policy.
  - This section looks at the household incomes of riders (based on available survey data) and the cost of vehicle ownership. **According to a 2018 survey of riders, 65% of riders had an income of less than \$24,999.**
  - **Collecting fares, whether fixed or variable, will entail costs of its own that may mitigate the revenues collected by restarting fares.**
  - Page 9 includes a thought experiment of what different fare collection revenues could look like.
3. Pages 11-16 include lengthy discussions of revenue sources that could replace fare revenues long term.
  - The Massachusetts’ Legislature and the new gubernatorial administration have expressed interest in increasing transportation funding across the state. Moreover, the **Regional Transit Authority Caucus in the legislature has begun to put forward bills to raise statewide RTA funding to \$150 million a year**, nearly \$55 million more than funding for FY23. Governor Healey’s initial FY24 budget includes \$96.8 million for RTAs, in addition to \$6 million for operating expenses from a new \$25 million grant.
  - While the WRTA cannot raise assessments to its member communities, **those communities could voluntarily contribute more to the WRTA, though current budget constraints may make such contributions less likely.** The largest burden would fall on the City of Worcester, but Worcester does not need to be the sole source of fare revenue replacement.
  - The Federal Government will be increasing its transportation funding until 2026.
  - The WRTA could explore partnerships with local employers and universities.

The WRTA experienced a rapid ridership recovery from the COVID-19 pandemic and FY23 ridership is expected to increase. Please look forward to a forthcoming report on WRTA ridership from The Research Bureau. It is evident that a fare-free policy at the WRTA has had significant impact, particularly on ridership. This report will review WRTA finances in order to sustain a fare-free policy.



## Introduction

The Worcester Regional Transit Authority has operated fare-free service since March 2020, as a result of the COVID-19 pandemic and the extraordinary emergency that followed. However, fare-free has been a topic of conversation in Worcester for quite some time, including as the subject of a May 2019 report from The Research Bureau, *The Implications of a Fare-Free WRTA* and a follow up report in November 2020, *Bureau Brief - Addendum to "The Implications of a Fare-Free WRTA."*

While the end of "fare-free" has been delayed several times, the current deadline, June 2023, is just a few short months away. This report examines the budget of the WRTA and considers several alternatives to restarting fares. The report begins with an examination of the WRTA budget in Fiscal Years 2022 and 2023, and follows with an analysis of the fare-free policy in addition to a discussion of potential replacement revenue sources. Nearly 65% of WRTA riders in a 2018 customer satisfaction survey indicated they had a household income of less than \$24,999. A fare-free policy has allowed these riders to continue to utilize this transportation service during a period of economic uncertainty. In combination with the The Research Bureau's December 2022 report,

## Budget

In Fiscal Year 2022 (July 2021-June 2022), the WRTA had combined revenues of \$29,254,019 (see Chart 1). These revenues, a combination of Federal, state, and member community assessments, funded the WRTA's fixed route and demand response services. This total does not include capital revenues and expenditures, which are accounted for separately. Prior to its fare-free program, passenger fares across both fixed route and demand response service also counted towards the operating revenues of the WRTA.

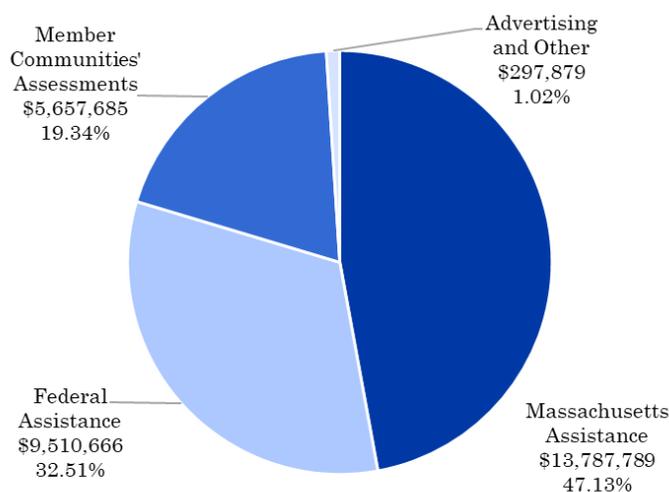
## Revenues

**The Commonwealth of Massachusetts provides the WRTA the largest share of its revenue, providing slightly more than 47% of the WRTA's revenue in FY22.** "State Contract Assistance" passes through the Massachusetts Department of Transportation

*Static Income, Rising Costs: Renting in the Heart of the Commonwealth*, transportation affordability, along with housing affordability a key part of cost-of-living calculations, is an important issue that continued fare-free helps to address. Ridership, as shown in a forthcoming Research Bureau report, recovered quickly after March 2020, no doubt due in part to continued fare-free service.

Replacing fare revenues is important if the WRTA wishes to avoid potential service reductions. In the short term, it can potentially use some of its remaining COVID-19 relief funds to cover that revenue. There are avenues for more long term replacements. For example, WRTA member communities could voluntarily contribute more to the Agency. Significantly, there are a number of legislators in the Massachusetts' General Court working on substantially increasing funding to the fifteen state RTAs, including using the mechanisms established by voters for transit funding in the "Fair Share Amendment" from November 2022. The Healey Administration, which began in January 2023, has indicated its own interest in increasing transit funding across the state. In addition, the WRTA could pursue partnerships with local employers and universities to find ways to creatively replace fare revenues.

Chart 1: FY22 WRTA Operating Fund Revenues

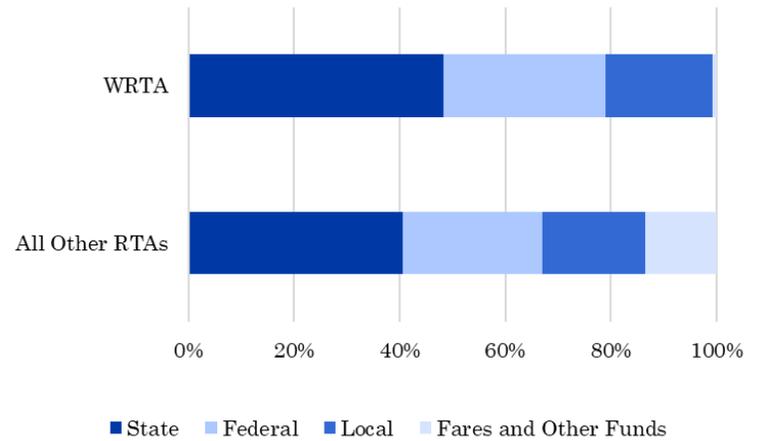


Source: Worcester Regional Transit Authority, FY22 Annual Audit



(MassDOT) to each of the fifteen regional transit authorities (RTAs) in the state, according to an allocation formula and metrics developed with those RTAs and agreed upon in renewable Memoranda of Understanding (2022 Performance Report, 2). These metrics include ridership, customer service and satisfaction, asset management, financial performance, and safety. The WRTA signed its most recent two-year Memorandum of Understanding in 2021, which includes targeted metrics for FY22 and FY23.

**Chart 2: FY21 Massachusetts' RTA Operating Fund Revenues**



Source: National Transit Database, 2021 Funding Sources Table

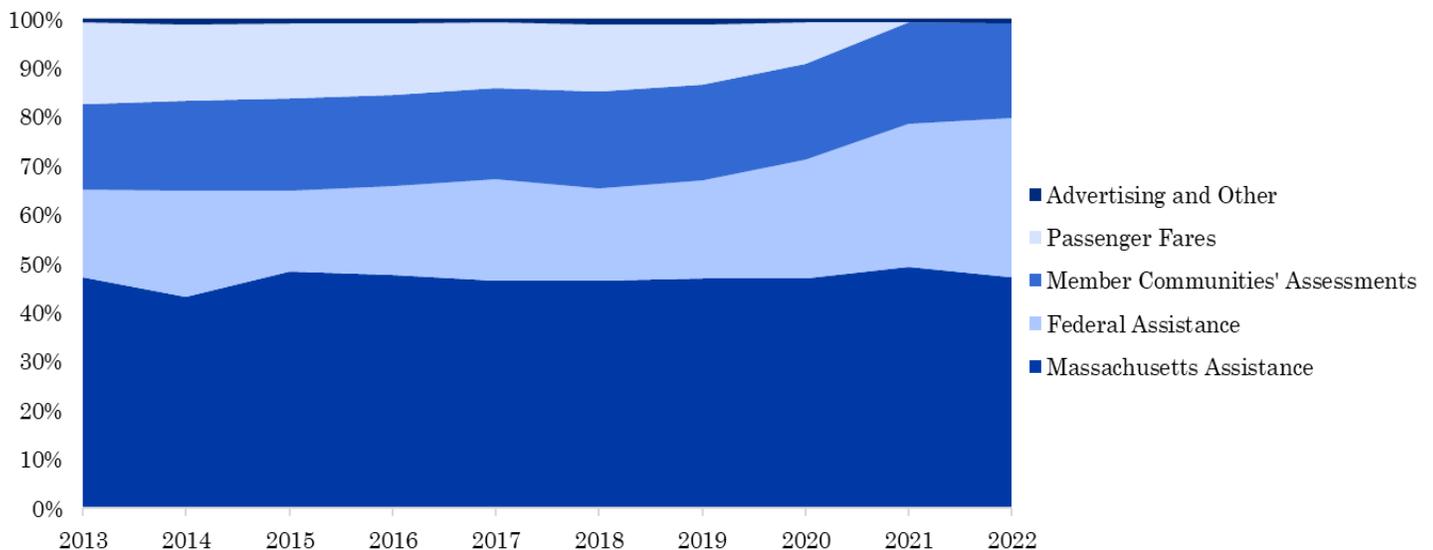
To put state funding in perspective, see the data in Chart 2 for FY21 (the last year for which the National Transit Database has data on funding sources). In FY21, state funds made up about 41% of revenues for the other fourteen RTAs as a group, followed by federal funds at 26%, local assessments at 19%, and fares and other funds at 14% (see Chart 2). In FY22, the Commonwealth of Massachusetts budgeted \$94 million for state RTAs (see [Section 113 of the FY2022 Budget](#), as well as [line item 1595-6370 of section 2E](#)). For FY23, Massachusetts budgeted \$96.5 million for state RTAs (see line item [1595-6370 of the final FY23 budget](#)).

WRTA revenues over time, as evidenced in chart 3, but the 2020-2022 period saw a rise in Federal aid from financial relief related to the COVID-19 pandemic. Of those supplemental funds, it has been reported that the WRTA has about \$22 million in funds still available from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) from March 2020.

**The WRTA's next largest share of funds in FY22 came from Federal assistance, which made up 32.5% of the its operating revenues.** Federal funds have made up a larger portion of

The unusually large Federal COVID-19 relief funds, earmarked for operating expenses, are a departure from most other annual Federal aid. **Historically, Federal aid provides more funding for capital projects than operating**

**Chart 3: 2013-2022 Operating Revenue Sources as a Percentage of All Operating Revenues**



Source: Worcester Regional Transit Authority, FY13-FY22 Annual Audits



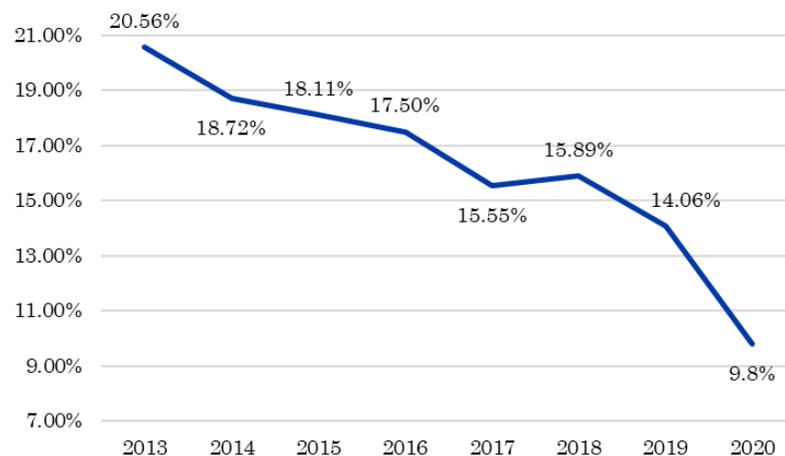
**expenses**; importantly, the WRTA receives capital funds every year from both the Federal and Commonwealth governments. Capital programs include bus purchases, facility construction and maintenance, and other infrastructure projects. Operating expenses relate specifically to the cost of operating fixed route and demand response services—salaries, administration fees, advertising, etc.

**Member community assessments, at 19.34% of total operating revenues, make up the last major portion of the WRTA budget in FY22.** The WRTA serves 37 communities across Worcester County and each member community pays each fiscal year for service to that community. All 37 pay for demand response service, and 16 additionally pay for fixed route service. **In FY22, the City of Worcester itself was assessed for \$4,062,816, or 77.88% of total member assessments; the next highest community assessment was Auburn for \$284,928, or 5.46%.** Due to Proposition 2 1/2, assessments of member communities can only increase by 2.5% annually, in addition to a proportionate share of any new transit services from that year.

Until March 2020, the WRTA also collected passenger fares. Between 2013 and 2019, fares made up a declining share of revenues. While member assessments, federal aid, and state aid grew, fares declined by 14.15%. Chart 3 shows each source of revenue as a percentage of all revenue between 2013 and 2022.

Farebox recovery, or the percentage of operating expenses met by passenger fares, is an important metric that both MassDOT and the Federal Transit Administration tracks. Although passenger fares were not collected past March 2020, farebox recovery at the WRTA did decline between 2013 and 2019. Chart 4 uses data from the National Transit Database to show fixed route farebox recovery from 2013-2020. **During that period, farebox recovery declined from 20.56% in 2013 to 14.06% in 2019 (to 9.8% in 2020, when only nine months of fares were collected). Between 2013 and 2019, this was a change of nearly 32%.** Although the WRTA

**Chart 4: Fixed Route Farebox Recovery, 2013-2020**



Source: National Transit Database, 2013-2020 Metrics Tables

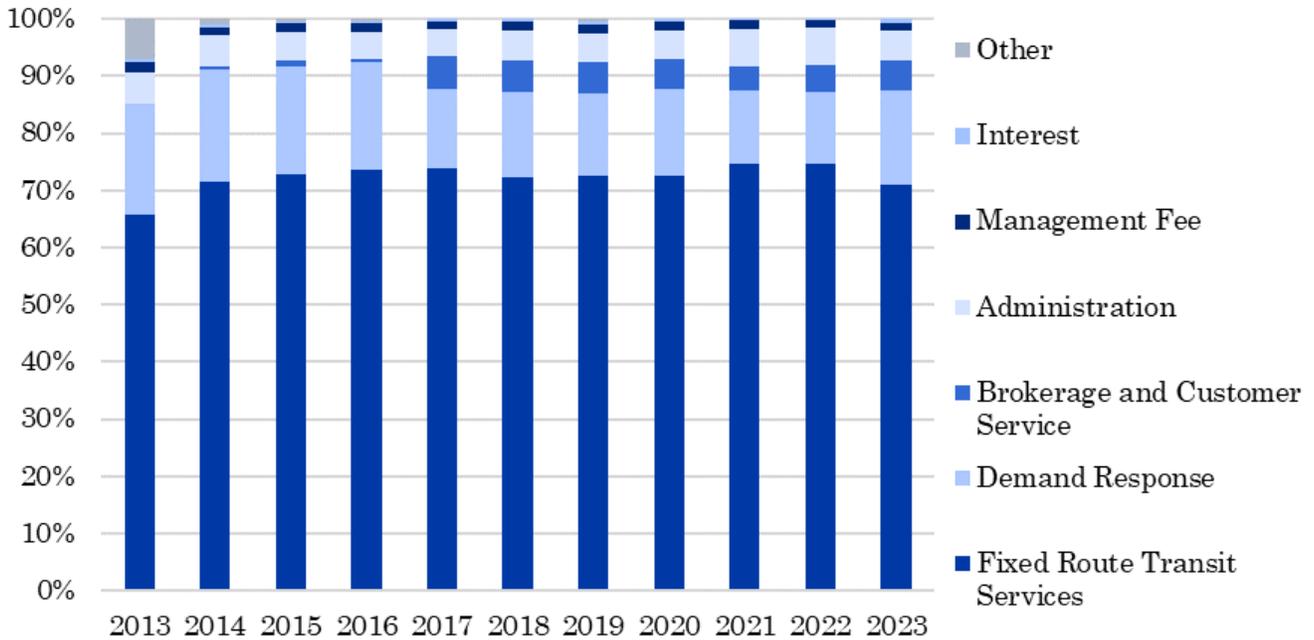
was fare-free in FY22, its 2021 Memorandum of Understanding with MassDOT did establish a target of 3.57% for fixed route farebox recovery for that year (Memorandum of Understanding 2021, 9). Across the 15 RTAs, fixed route farebox recovery targets ranged from 3.57% to 40%, with a median target of 8.1%. The median farebox recovery actually made was 7.44% (MassDOT FY22 Annual Report).

According to that same 2021 Memorandum of Understanding, the targeted farebox recovery ratio for FY23 is 8.64%. Like the 3.57% target for FY22, this target was established at the end of June 2021. However, the farebox recovery target is adjustable, so long as the RTA's advisory board submits new adopted fare policies to MassDOT (see Memorandum of Understanding 2021, 9).

### Expenses

**The largest expense category in FY22, at 74.69%, was spending on fixed route transit.** "Fixed Route" buses follow a pre-determined route and schedule subject to infrequent change. By contrast, the WRTA spent 12.66% of its budget on demand response services, services that are not subject to a fixed and pre-determined route and schedule. Demand response services include ADA and non-ADA paratransit. See Chart 6 (page 6, left) to see transit expenses compared to other expenses.

**Chart 5: Operating Expenses as a Percentage of all Expenditures, 2013-2023**

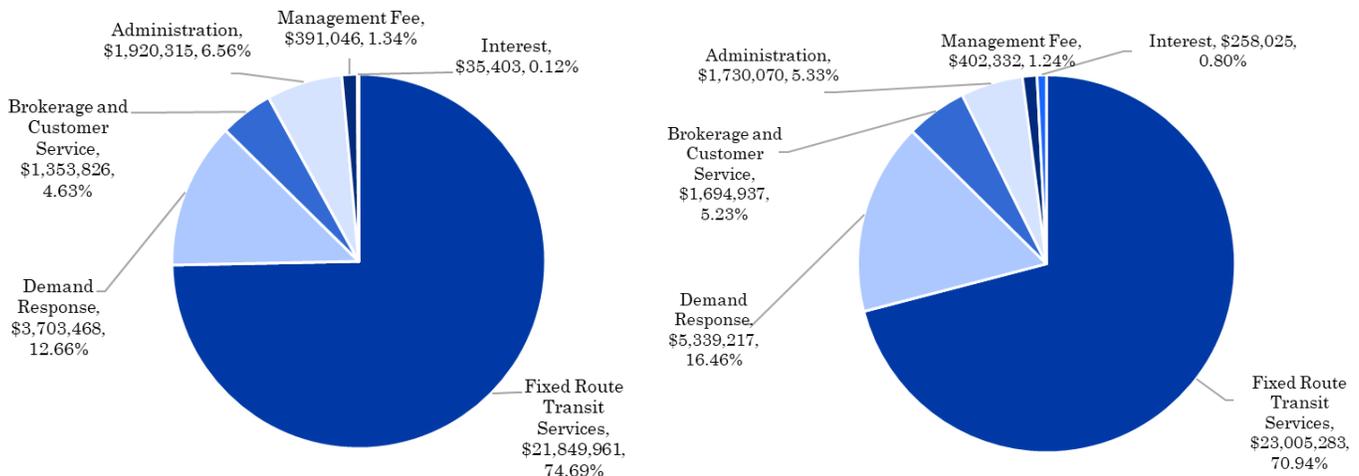


Source: Worcester Regional Transit Authority, FY13-FY22 Annual Audit, FY23 Adopted Budget. Starting in 2017, “Customer Service” became “Brokerage and Customer Service,” and other expenses were reorganized and reallocated.

The WRTA's remaining budgeted expenses include, in order, administration, brokerage and customer services, and a management fee. Chart 5 shows budgeted expenditures as a percentage of all expenditures between 2013 and 2023. Fixed route transit services always makes up the largest amount of budgeted spending, ranging between 66% and 75% of total expenses. Additionally, of total transportation spending, fixed route transit ranged from 77% to 86%.

Chart 6 (right) shows budgeted expenses for FY23. Expenses in the adopted budget for FY23 follow a similar breakdown to those in FY22. Fixed route services make up 70.94% of the budget, followed by demand response at 16.46%. These percentages hew closely to those of the actual budget from FY22. **In addition, the FY23 budget shows that the WRTA planned on using \$5,435,911 in CARES Act funds to fund its operating expenses this year.**

**Chart 6: WRTA Operating Expenses, FY22 Actual (Left), FY23 Adopted (Right)**



Source: Worcester Regional Transit Authority, FY22 Annual Audit, FY23 Adopted Budget



Table 1, below, shows the operating costs per community for fixed route and demand response transit service in FY22.

The final chart in this section shows the metric for fixed route “cost per passenger” between 2013 and 2021, which is one way imagine the costs of transit service. This is a measure of operating expenses divided by the number of unlinked

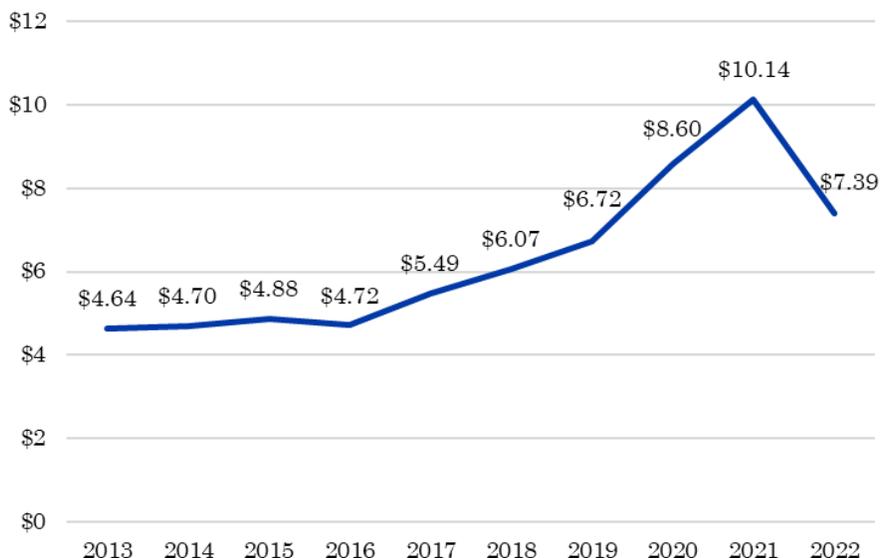
passenger trips. Costs per passenger did trend upwards between 2013 and 2019 by 44.96%, but the large spike in per passenger costs between 2019 and 2021 is due to operating expenses continuing to rise while ridership was down because of the COVID-19 pandemic. Indeed, as ridership continues to recover, we will likely see costs per passenger continue to decline.

**Table 1: FY22 Fixed Route and Demand Response Operating Costs by Community**

Community	Fixed Route	Demand Response/ Paratransit	Community	Fixed Route	Demand Response/ Paratransit
Worcester	\$17,363,368	\$2,641,977	Clinton	-	\$63,969
Auburn	\$1,196,035	\$206,471	Rutland	-	\$62,572
Leicester	\$639,284	\$62,309	Sutton	-	\$59,281
Spencer	\$418,828	\$109,983	Warren	-	\$42,665
Millbury	\$391,569	\$94,179	Barre	-	\$26,931
Charlton	\$386,171	\$85,490	West Brookfield	-	\$20,195
Oxford	\$379,683	\$66,604	Douglas	-	\$20,031
Shrewsbury	\$345,045	\$93,380	Holland	-	\$13,067
West Boylston	\$328,105	\$51,039	Brimfield	-	\$10,306
Southbridge	\$263,293	\$481,087	Princeton	-	\$8,656
Webster	\$216,883	\$195,210	North Brookfield	-	\$8,415
Northbridge	\$172,598	-	Paxton	-	\$4,816
Dudley	\$119,542	\$72,931	Oakham	-	\$4,649
Grafton	\$116,280	\$26,156	New Braintree	-	\$4,275
East Brookfield	\$77,504	\$91	Boylston	-	\$2,261
Brookfield	\$35,890	\$20,486	Wales	-	\$1,963
Sturbridge	-	\$212,430	Westborough	-	\$832
Northborough	-	\$151,183	Berlin	-	-
Holden	-	\$64,668			

Source: Worcester Regional Transit Authority, FY22 Annual Financial Audit

**Chart 7: Fixed Route Cost Per Passenger, 2013-2022**



Source: National Transit Database; MassDOT FY22 Report on Regional Transit Authorities



## Continuing Fare-Free

With fare-free currently set to expire in June 2023, the WRTA has indicated that any decision on extensions will be made in March or April as the FY24 budget process begins (January 5, 2023 City of Worcester Public Service and Transportation Committee Meeting). However, there are signs that the WRTA is preparing itself if the WRTA Advisory Board does decide to reinstate fares. For example, WRTA signed a contract with Masabi LLC in January 2022 to implement a new mobile fare payment system. That fare payment system requires a monthly minimum payment of \$5,000 from the WRTA to Masabi as revenue share (or, if at least \$2 million in fares annually, 4.7%) for a minimum of five years. The installation of the system was [largely covered by a Federal grant of \\$722,606](#).

In 2019, The Research Bureau ended its fare-free report with several conclusions:

1. The loss in fare collections would be mitigated by the elimination of fare collection costs, which The Research Bureau estimated to be about \$850,000 a year in 2018.
2. The WRTA has a low cost per passenger compared to other RTAs in Massachusetts, and as more people ride the bus that cost declines.
3. Increasing bus ridership increases city livability; more people riding the bus would mean fewer cars on the road, less traffic, and more parking for those who do need to drive. Indeed, increasing bus ridership would go a long way towards meeting Worcester's own Green Plan goals.

Fare-free was implemented solely in response to the extraordinary COVID-19 pandemic, which did have the effect of blunting its initial impact on ridership. **While ridership will be the subject of a separate report, the WRTA did experience a larger percentage gain of ridership than its peers, indicating that fare-free may have played an important role in ridership recovery.** And, indeed, fare-free is broadly popular among Massachusetts' residents. A June 2022 MassInc poll of Massachusetts

residents, found that 78% of respondents supported making MBTA and RTA buses free to ride, with 46% strongly supporting that proposal (MassInc 2022).

Fare-free may have the impact of increasing ridership on the WRTA—especially as the pandemic subsidies—but one of its most important effects regards transportation equity, which is simply the ability of everyone to access accessible and affordable transit regardless of their ability to pay. It is true that all demographic groups ride the bus, but lower income riders tend to ride the bus more often. For example, a January 2017 study by the American Public Transportation Association, entitled *Who Rides Public Transportation*, found that nearly 33% of transit riders nationwide had household income of less than \$24,999, and that increases to 55% of riders when you include households up to \$49,999 (*Who Rides Public Transportation* 2017, 34). **This bears out in the WRTA's own ridership. In its own 2018 fixed route customer satisfaction survey, nearly 65% of its 400 respondents indicated a household income of under \$24,999.**

For some, the high costs associated with vehicle ownership—sometimes culminating in the lack of vehicle ownership at all—make the bus their only or main source of transportation. According to the 2021 American Community Survey, 11,089 occupied housing units, or 14.6% of the total in Worcester, have no vehicle access. A further 32,994, or 43.4% of occupied housing units, have only one vehicle available. In the WRTA's 2018 fixed route customer satisfaction survey, just 31 people, of more than 400, said that they would drive themselves to where they needed to go if the bus was not available; 121 respondents would not have travelled at all. Seventy percent of respondents replied that their household had zero vehicles.

Car ownership is expensive. In a study done in 2013 by the Northeastern University Dukakis Center for Urban & Regional Policy, 59% of respondents in Worcester felt that the costs associated with car ownership were often or consistently troublesome; 23% of respondents claimed that parking was often or consistently



troublesome (Dukakis Center 2013, 30). Indeed, according to AAA the average yearly cost (nationally) of owning a [new vehicle in 2022 is \\$10,728](#)—that assumes 15,000 miles a year and includes loans, insurance, maintenance, and gas. While there is not a similar figure for used cars, used vehicles [have experienced large price inflation since 2021](#).

Transportation affordability should be taken in conjunction with housing costs when considering cost-of-living for an area. Generally, housing is considered affordable if a resident spends less than 30% of their monthly income on household costs; any more, and they are “cost-burdened.” **Crucially, differences in household costs may reflect tradeoffs in transportation costs**, where "a cheap house is not truly

affordable if located in an isolated area with high transportation costs, and households can rationally spend more on a house that is located in an accessible area where they can minimize their transport costs" (Litman 2021, 5-6). According to the Bureau of Labor Statistics' Consumer Expenditure Survey, **transportation was the second highest annual cost category in 2021 for consumers both in the Northeast and nationally, after housing.**

Although it is true that some who ride the WRTA can surely afford fares, that is not the case for everyone who boards a bus regularly. One solution to this problem is, of course, reduced, subsidized, or otherwise variable fares—reduced or zero fares for those who cannot afford them. A reduced or subsidized approach to fares,

**Imagining Different Fare Scenarios: A Thought Experiment**

There are still several unknowns about what a fare reinstatement would look like, including what the regular fare would be, what discounted fares would look like, and who would qualify for a discounted fare. That makes predicting revenues difficult. However, it may be useful to perform a thought experiment to put different discount models into perspective. Imagine a year in which 1000 people ride a fixed route bus, and assume that the 65% of riders surveyed in 2018 with an income less than \$24,999 are eligible for an income based discount on fares. This experiment does not assume any associated costs with fare collection.

**Table 2: Discounting Fares Based on Income**

Fare	Without Discount	With 25% Discount	With 50% Discount
\$2.00	\$2,000.00	\$1,675.00	\$1,350.00
\$1.75*	\$1,750.00	\$1,465.63	\$1,181.25
\$1.50	\$1,500.00	\$1,256.25	\$1,012.50
\$1.25	\$1,250.00	\$1,046.88	\$843.75
\$1.00	\$1,000.00	\$837.50	\$675.00

\*\$1.75 was the regular, fixed route fare prior to the implementation of fare free in March 2020. A reduced cash fare of \$0.85 was offered to elderly and disabled riders as well as children between the ages of 5 and 13.

Some additional things to consider:

- The cost of collecting, organizing, counting, and moving cash fares on and off buses. In 2019, this was estimated to cost \$750,000.
- The increased cost of verifying income eligibility, as well as any associated customer service costs.
- The cost of the new mobile fare collection system with Masabi, which assumes a \$5,000 monthly minimum cost, or 4.7% revenue share for revenues over \$2 million.
- The concept of “fare elasticity” presumes that increases in fares may lead to short and longer-term decreases in ridership, which would affect revenue (see Litman 2022). “Fare elasticity,” however, cannot solely explain decreases in ridership, which can be due to any combination of factors. For example, drops in WRTA ridership in FY18 coincided not only with a fare increase, but also significant service reductions thanks to insufficient state funding.



especially reductions based on income, may have its own set of potential drawbacks (Seniors, persons with disabilities, and Medicare cardholders would already be allowed reduced fare during off-peak hours under Federal law applied to any federally-subsidized transit provider. See 49 U.S.C Section 5307(d)(1)(D) of the Federal Transit Act). Consider, for example, the implementation of a mobile fare collection system. Although there would be alternatives to mobile fares, such as paying for fares off-board the bus for those without access to smartphones, it is still worth considering that **nearly 8.5% of households in Worcester (about 7,000), according to the 2021 American Community Survey, do not have a smartphone. Four percent of households do not have access to a computer at all;** in the Worcester, MA-CT metro area (per the U.S. Census), which contains much of the WRTA service area, 11.4% of households (43,179) do not have a smartphone, while 4.6% have no computer at all. **Additionally, it is worth considering how shifting fare payment systems, even if fares remain the same, may affect the ability of people to afford transit at all** (for more information on this, see Perrotta 2017, 247-248).

One of the benefits of a fare-free program is the reduced administrative and temporal costs of fare collection. Reintroducing fares may increase those costs. **For example, a reduced fare system based on a low-income eligibility will require some cost investment in income verification,** most likely in conjunction with the Department of Transitional Assistance or another State social service agency (King and Taylor 2023, 9). Low-income eligibility may require "elaborate application and assessment processes" where riders "need to submit their applications and have it approved far enough ahead of their trip to allow time for their application to be processed" (King and Taylor 2023, 13). Re-verifying income eligibility could become a recurring cost. Other fares may have their own costs. For example, a variable fare based on distance travelled may be fairly easy to implement on a mobile fare or card based system, but more difficult to implement with the continued use of cash fares. Some transit riders, and especially those that may not have access to a smart phone or computer, may have difficulty taking advantage of such programs.

Additionally, there are costs associated with cash fare collection and management, as The Research Bureau noted in 2019's *The Implications of a Fare-Free WRTA*. First is simply the administrative cost of handling the cash, which The Bureau estimated to cost about \$850,000 (between farebox maintenance and staff time to process revenue). This may be in addition to the costs associated with the mobile fare collection system that is currently being implemented, with its monthly minimum revenue share agreement of \$5,000, or 4.7% of fare revenue after the \$2 million mark. And not to forget temporal costs, like an increase in boarding times due to the search for cash or exact change, or the use of only one door on the bus rather than all available doors, would be another potential drawback of restarting fares. Between January 2019 and January 2023, based on an average weekday sample, WRTA data on dwell time and average speed shows an approximately 5% time and speed savings between fare collection and non-fare collection.

The WRTA has assuredly considered the above problems at length. **The costs of implementing a system of reduced fares (especially one based on income or even distance) may mitigate any potential revenue from reinstating fares, especially when put into the context of declining farebox recovery between 2013 and 2019.** Reinstating fares could have a negative effect on ridership; fare elasticity, or the effect of fares on ridership, is well-studied. While low-income riders, with less access to transit options, are more inelastic than higher-income riders (who might just choose to drive), **reinstating fares, after more than three years of fare-free, may still have a negative effect on ridership** (King and Taylor 2023, 21).

It is undeniable that introducing some system of variable fares would be more equitable than a return to the fixed-fare system that existed prior to March 2020. All things considered, a variable fare would be preferable to a non-zero fixed fare amount. However, for the reasons stated above, and indeed because farebox revenue covered such a declining amount of operating expenses, paths towards continued fare-free should be seriously considered by the WRTA.

### Potential Sources for Funding

One of the largest roadblocks to a continued fare-free service is funding. Although farebox recovery suffered a great deal in the years before the pandemic, it did still pay for a small percentage of operating expenses—averaging about \$3.5 million a year between 2013 and 2019. To maintain service, the WRTA does need to find alternatives to that funding.

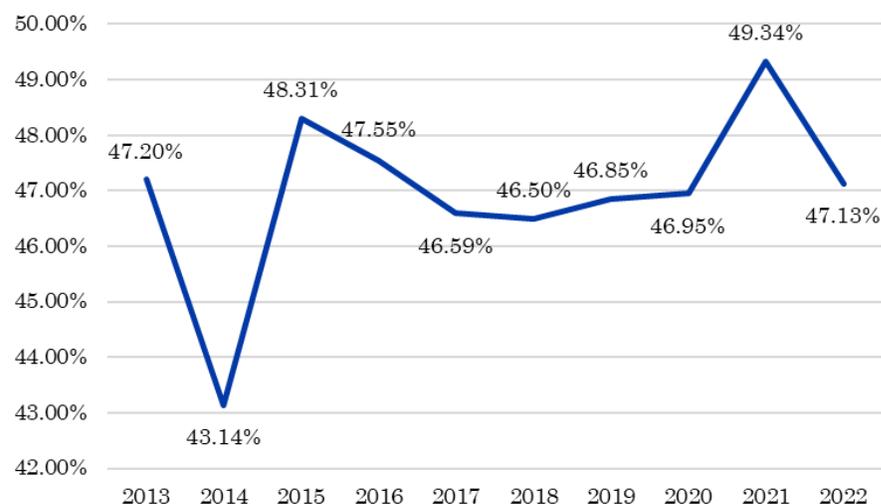
**In the short term, there is a solution that the WRTA could utilize: its Coronavirus Aid, Relief, and Economic Security Act (CARES) funds, of which about \$22 million remains, and which have no time limit for their use.** These funds are not a permanent solution, but are one way that the WRTA could continue to extend fare-free until other funds, explored below, are available. The Research Bureau’s explored some of these options in its Fall 2020 addendum to its Spring 2019 fare-free report ([Bureau Brief - Addendum to "Implications of a Fare-Free WRTA"](#)). These options are explored below, along with new details. **Importantly, fare replacement will likely not come from one place; the WRTA should consider pursuing all potential revenue sources.** Continuing fare-free may require creative, combinatory solutions.

#### Commonwealth Contributions

State contract assistance, provided by Massachusetts' annual budget and filtered through to the RTAs by the Massachusetts Department of Transportation, provides the largest percentage of the WRTA's budget, averaging around 47% of the total every year between 2013 and 2022. Increasing state assistance to the WRTA would be the most likely way the WRTA Advisory Board could decide to continue the Agency as fare-free.

Massachusetts has historically underfunded RTAs, and finding stability in funding and funding increases has been pointed to as an important issue for many years, including in the

**Chart 8: Commonwealth Contributions to the WRTA, as a Percentage of Total Operating Revenues, 2013-2022**



Source: Worcester Regional Transit Authority, FY13-FY22 Annual Audits

2019 state report, "[A Vision for the Future of Massachusetts Regional Transit Authorities.](#)" The WRTA’s commitment to funding fare-free is complicated by the fact that the WRTA’s budget must be adopted before the state budget; thus, state assistance to the organization may not match what the WRTA anticipated, which could impact its ability to commit to fare-free. Still, there have been a number of developments that could mean more funds are, or could be, on the way to RTAs across the state. These include legislation that has been introduced in the current and previous sessions of the General Court of Massachusetts as well as the Fair Share Amendment (known colloquially as the "Millionaire's Tax") that was approved by voters in the November 2022 election.

"An Act Relative to Fare-free Buses" (2023 HD.1042, 2023 SD.1186; 2021 HD.3403, 2021 SD.2340), proposed by Representatives Christine Barber and David LeBoeuf, and Senator Patricia Jehlen, aims to create a pilot program, of at least one year, for fare-free RTAs (or, at the very least, a selection of their routes). The bill would establish a fare-free RTA advisory group to oversee the program, including representatives from each RTA, and members of the community who would be especially impacted by a fare-free program. The advisory group would report regularly to MassDOT. Presumably, if this bill



was to become law the Commonwealth would dedicate funds to ensure that the RTAs could pursue the pilot for at least a year.

The Regional Transit Authority Caucus, a group of Massachusetts legislators representing the communities served by all fifteen RTAs, has been [meeting regularly to discuss how to increase RTA funding](#). **The Caucus wants to increase funding to RTAs to \$150 million, a nearly \$55 million increase from the amount budgeted for FY23.** This could be used for any number of service improvements, including dedicated and long-term fare-free programs. To this end, Representative Natalie M. Blais and Senator Susan L. Moran have introduced a bill, "**An Act to Increase Regional Transit Accessibility in the Commonwealth**" (2023 HD.2385, 2023 SD.1762). **This bill would increase the minimum state contract assistance to RTAs to \$150 million**, establish a Regional Transit Authorities State and Local Contribution Fund (which would be funded by surcharges already funding the Transportation Infrastructure Enhancement Trust Fund), establish a Regional Transit Authority council, and, significantly, end the use of farebox recovery ratios to make funding distribution decisions or formulas. A long list of legislators have signed onto these pieces of legislation.

**The Fair Share Amendment**, approved by voters in the November 2022 election, could potentially be a vehicle for increasing funding to state RTAs across the board, and has been among the options discussed by state legislators advocating for greater RTA budgets. The Fair Share Amendment (officially Article CXXI of the Articles of Amendment of the Massachusetts Constitution) adds an additional four percent tax on annual taxable income in excess of one million dollars, adjusted annually for inflation. **The amendment can only be used for "quality public education and affordable public colleges and universities," as well as "the repair and maintenance of roads, bridges, and public transportation"** (Mass. Const. amend. CXXI), providing a potentially ripe source of funds for transportation projects across the state, including RTAs. Estimates vary, but the Department of Revenue recently estimated that the surtax could raise between

\$1.455 and \$1.766 billion in FY24, while others have estimated closer to \$1 billion (Kuznitz 2023).

There is, of course, no guarantee that the funds raised by the amendment would be used on RTAs, but interest from legislators in raising funding levels and expanding the number of RTAs that are piloting fare-free programs, and a new gubernatorial administration, indicate there is reason for continued efforts. Already the Regional Transit Authority Caucus in the legislature [has indicated interest](#) in ensuring that some of that surtax will be used for RTA funding (State House News 2023). Governor Maura Healey has indicated transportation is an important issue for her administration, focusing on transportation and infrastructure in her January 2023 inaugural address. Governor Healey's first proposed budget for FY24, released on March 1, 2023, includes \$96.8 million for RTAs, in addition to a \$25 million grant, of which \$6 million must be spent on operating expenses. That grant, to be apportioned among all 15 regional transit authorities, uses new competitive grant funds from the amendment (see [line item 1596-2406](#)).

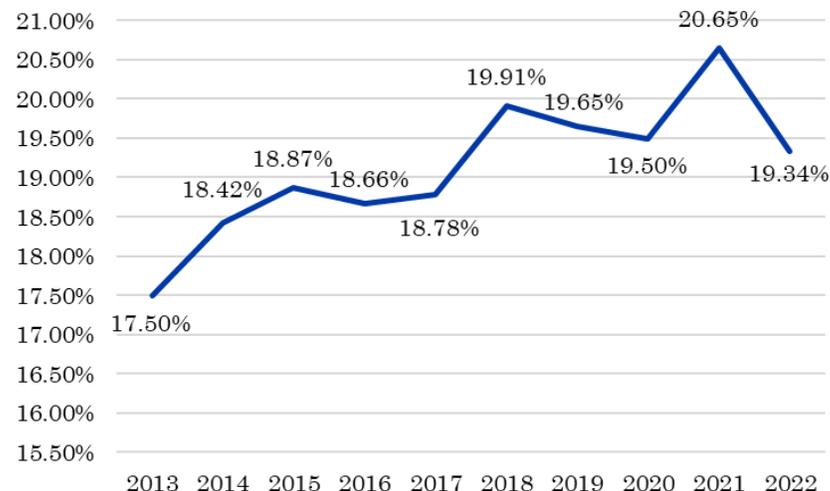
**Increased state assistance may be the most likely and significant way that the WRTA can maintain fare-free.** There are indications that those involved in the Commonwealth's government have increased funding for RTAs at top of mind. The WRTA, as well as its public and private partners, should continue to push for increased state funding to maintain fare-free and to increase service.

#### *Local Contributions*

Between 2013 and 2022, assessments of member communities have grown from 17.5% to 19.34% of the WRTA's revenues. However, there is a natural limit to this growth: assessment cannot legally grow more than 2.5% per year, plus the cost of new service to that community (for which communities could lobby, if they so wish). **The WRTA cannot replace fare revenues by raising its assessment rates. While unlikely given their own budget constraints, its member communities could choose to voluntarily contribute more money than currently assessed to the WRTA.**

The WRTA is one of 15 regional transit authorities established by Chapter 161B of the Massachusetts General Laws, overseen by the Massachusetts Department of Transportation, and is a public agency separate from the communities it services. As such, although it can assess its member communities for a percentage of its operating costs, it still operates independently from those communities, their governments, and their budget processes (outside of annual member assessments). It has no special power over those communities; indeed, new communities can elect to join or, through a vote, choose to leave it.

**Chart 9: Local Assessments, as a Percentage of Total Operating Revenues, 2013-2022**



Source: Worcester Regional Transit Authority, FY13-FY22 Annual Audits

As the Bureau's 2020 fare-free addendum notes, Lawrence followed the voluntary contribution model in September 2019, where the City provided additional money (outside of its normal assessments) to Merrimack Valley Transit to create a three-route fare-free pilot program in the city. MeVa Transit may not be directly comparable to the WRTA—with only fourteen communities and about a third as many passenger trips compared to the WRTA in FY22—but here it merits mention as a Massachusetts' RTA that has attempted fare-free service through voluntary contributions.

collected about \$8 million in fares every year. In its first year of zero fare, KCATA was allocated \$4.8 million from Kansas City itself (Smart Cities Dive, 2020). The Kansas City City Council has [offered a budget for 2023-2024](#) that continues to pay for at least part of that \$8 million, with the remainder paid for through Federal COVID relief funds. KCATA may not be directly comparable to the WRTA, but it does continue to be an example of a major fare-free commitment.

MeVa Transit is noteworthy now for an additional reason: it announced in early 2022 that between March 2022 and March 2024, bus service (both fixed route and paratransit) would be completely fare-free, using its own Federal COVID relief funding. In touting its own switch to fare-free service, its Administrator noted that "76 cents of every dollar he collects in fare is eaten up by the cost of collecting the fares, everything from maintaining the fare boxes themselves to the room where the money is counted to the armored car service that takes the money to the bank" (Commonwealth, 2022).

The WRTA's member communities, including Worcester—where the majority of routes and ridership are centered—could choose to contribute more money to the WRTA. **Most of this voluntary burden would likely fall on Worcester due to the size of its current ridership.** Voluntarily increasing contributions may additionally encourage other communities to contribute more as well.

Looking nationally, Kansas City, Missouri established a fare-free bus system in the fall of 2019, aiming to keep its buses fare-free through the end of 2023. Prior to starting its program, the Kansas City Area Transit Authority (KCATA)

Solving the budgetary problem of continuing fare-free does not need to be an all or nothing approach. Given their own budgetary constraints, voluntary local contributions to the WRTA may not be likely, nor a sufficient source for fare replacement. Member communities should not feel that the burden of fare replacement is entirely on them or their budgets; they may even consider simply making infrastructure improvements, which may themselves help to



improve WRTA service. Despite these constraints, voluntary contributions to replace parts of fare revenue could still be considered.

*Other Options: the Federal Government, Local Employers, and Universities*

Other options for revenue to fund fare-free service include developments on the Federal level, as well as potential partnerships with local employers and universities.

The U.S. Federal Government provides billions of dollars in nationwide transportation aid every year. **According to the Congressional Budget Office, regular annual funding for federal aid between 2016 and 2021 averaged \$13 billion—that average is set to increase by 42% through 2026, in large part to the Infrastructure Investment and Jobs Act.** In addition, Congress provided \$70 billion in supplemental aid in the first two years of the COVID-19 pandemic. While these are large grants to public transportation agencies, on average two-thirds of annual federal spending on transit is dedicated to capital funds, not operations. Fare-free would be an *operating* expense; it remains to be seen whether the U.S. Congress and the Federal Transit Administration will provide more funds to local transportation agencies for operating expenses. In any case, there will generally be more money available, both capital and operations, through at least 2026 (see the Congressional Budget Office report, "[Federal Financial Support for Public Transportation](#)," from March 2022).

Local options for fare-free funds include local employers and universities. **Top local employers could consider partnering with the WRTA to provide funds to enable their employees to use the WRTA bus service efficiently, especially if a large percentage of their employees regularly use the WRTA to commute to work.** What form this partnership might take could vary. One local example of such a partnership is just starting with the MBTA—a number of large, local employers (including Google, Sanofi, and MIT) have partnered with the MBTA to pay for fares for their employees, as a workplace benefit (Commonwealth, 2022). While a local partnership for continued fare-free might not look quite the same as the program being run with the MBTA, it does provide a valuable blueprint for how local transit agencies might consider approaching and working with employers.

Local universities may also consider the benefits of partnering with the WRTA to maintain fare-free service. As noted in The Research Bureau's 2020 Addendum, a number of universities across the country partner with their local transit agencies to ensure that their students have access to public transit. One example is UMass Amherst and the Pioneer Valley Transit Authority; "UMass Transit" buses continue to be fare-free for students of the "Five Colleges Consortium" in the Pioneer Valley.

**Table 3: Top 10 WRTA Member Communities in terms of 2022 Assessment**

Community	2022 Assessment	2022 Fixed Route Operating Cost	2022 Demand Response Cost
Worcester	\$4,062,816	\$17,363,368	\$2,641,977
Auburn	\$284,928	\$1,196,035	\$206,471
Leicester	\$142,530	\$639,284	\$62,309
Southbridge	\$125,226	\$263,293	\$481,087
Northbridge	\$120,686	\$172,598	-
Spencer	\$106,593	\$418,828	\$109,983
Millbury	\$98,680	\$391,569	\$94,179
Charlton	\$95,476	\$386,171	\$85,490
Oxford	\$90,667	\$379,683	\$66,604
Shrewsbury	\$89,068	\$345,045	\$93,380

Source: Worcester Regional Transit Authority, FY22 Annual Audit



Similarly, Chapel Hill, North Carolina, [has had fare-free service for over twenty years](#). Chapel Hill Transit is a partnership between Chapel Hill, the Town of Carrboro, and the University of North Carolina; operating costs are shared between the three partners, and paid for through local taxes and student fees at the University.

With tens of thousands of students, and thousands of employees, spread across all of the WRTA's service area, it may be worthwhile for

## Conclusion

The continuation of a fare-free WRTA is being watched closely by many within the WRTA's service area. The Research Bureau's 2019 report, *The Implications of a Fare-Free WRTA*, noted that the WRTA was an excellent candidate for a fare-free system. While there are some difficulties evaluating the current fare-free program given that it was implemented in the face of the COVID-19 pandemic (as compared to if it began before the pandemic), undoubtedly it, along with the fact that the WRTA was one of the first RTAs to reinstate full service in August 2020 (as well as one of the few to expand service) played some role in ridership recovery ([see this article from 2021](#), but also a forthcoming report from The Research Bureau focused on ridership).

Given continually increasing ridership on the WRTA, and the potential for losing riders after fare increases, continuing fare-free seems preferable. Before the pandemic, the WRTA faced a static to declining fixed route farebox recovery rate; fares made up an increasingly small portion of the overall revenues of the WRTA. Combine that with previous estimates regarding the overall cost of collecting the fares themselves, and it is likely that restarting fares would not contribute much to solving the WRTA's funding woes.

While finding potential funding sources may be difficult, there are national models for how this might be done. One model is through voluntarily increasing local contributions to the WRTA. While the WRTA cannot assess its members at more than a 2.5% increase every year, nothing is

local universities to explore how many of their students and employees ride the WRTA. **Any potential partnership with the WRTA could be fruitful, especially as local universities increasingly adopt environmental sustainability as a major part of their milieu, and as they consider the increased ties their students might have with other local institutions through improved fare-free bus service.**

stopping those member communities from voluntarily contributing more to the WRTA to continue with its fare-free program. Another model is through employer or university partnerships with the WRTA—such as the UMass Transit in Pioneer Valley, or the Chapel Hill Transit partnership in North Carolina with the University of North Carolina-Chapel Hill. There is even reason to think that, thanks to the Infrastructure Investment and Jobs Act (2021), more money is being allocated to public transit agencies by the Federal Government; still, Federal Transit Administration guidelines may limit how these funds are used for operating assistance.

By far, though, the most likely source of new funds is at the state level. Already the WRTA's largest source of revenue, **there has been growing interest in substantially increasing RTA funding as well as fare-free RTAs, in both the legislature and in the new gubernatorial administration. Members of the Massachusetts' General Court's RTA Caucus have introduced legislation to increase the yearly funding minimum of state RTAs to \$150 million, nearly \$55 million more than the funding provided in FY23. This legislation also specifically drops "farebox recovery" as a funding metric for RTAs, which may have its own effect on funding distribution.** Other members of the Caucus have introduced legislation to run fare-free pilot programs in RTAs. The new gubernatorial administration has indicated that public transit is a big priority. And, most importantly, the new "Fair Share Amendment"

promises to provide new funding to transportation—indeed, it is limited to providing funds ONLY to education and transportation.

**A fare-free WRTA is preferable not just because of its relatively low-cost compared to other transit agencies, but simply from the standpoint of transportation affordability and transportation equity.**

Nearly 70% of the WRTA's riders in a 2016 customer survey indicated that they have an income of under \$24,999 per year. The cost of riding the bus, even just two trips per day, can add up. Never mind the fact that the people who ride the bus to and from work also, likely, ride the bus during off-peak hours to run errands. And that is not considering that they may be responsible for paying for family members to ride the bus as well.

Indeed, considering the ability of various demographics to afford transportation at all is key, as it is often the second largest expense in many households. The Research Bureau previously demonstrated in December 2022's *Static Income, Rising Costs: Renting in the Heart of the Commonwealth* that more than 50% of

Worcester renter-households were cost-burdened in terms of simply their housing costs. Consider that number in conjunction with the costs of transportation, whether car or bus, and one could see how restarting fares may affect transit ridership.

It is true that the WRTA needs to develop a long term strategy for funding a continued fare-free program, if the WRTA Advisory Board so chooses. **However, declining pre-pandemic farebox recovery, rapid recovery of ridership after the initial 2020 drop-off, important political developments at the state level regarding transit funding, and the potential impact on the most vulnerable that a fare restart would have, make continuing fare-free worthwhile.** A strong WRTA connects the many residents of our region to one another and to the many economic, educational, and social opportunities found within our communities. It is key to the entire region's success, prosperity, and continued economic well-being.

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